GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:3740
ANSWERED ON:13.12.2002
REVISION OF BADLA
PRAVEEN RASHTRAPAL

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Securities and Exchange Board of India (SEBI) have been carry forward transactions popularly known as (BADLA);

(b) if so, whether the action of the Government has resulted in a severe blow to stock market and business turn over has drastically come down to mere 10 percent on BSE and NSE;

(c) if so, whether the Government would consider the reviving of carry forward transaction (BADLA) in the interest of the investors; and

(d) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)
(a): On the recommendations of the Group set up by the Securitiesand Exchange Board of India (SEBI), under the Chairmanship of Prof. J.R.Varma, to review the carry forward system and deferral products, in April` 01, all deferral products including Badla were banned with effect from 2nd July` 01.

(b): According to SEBI, although the market had witnessed adownfall in the turnover in the initial period after the introduction of rolling settlement and banning of deferral products by SEBI w.e.f. July 02, 2001, there has been asubstantial recovery in volume, number of shares traded and number of transactions in the past few months. The volume, number of shares traded and number of transactions at the National Stock Exchange (NSE) during the past few monthshave been comparable to or even higher than the same posted by NSE during the months immediately prior to the introduction of rolling settlement and banning of deferral products.
(c) and (d): There is no such move. SEBI is of the view thatcurrently various derivative products including individual stock futures are available for investors in order to enter into transactions for settlement at a future date. The market has witnessed a significant level of activity in the derivatives segment during the past few months. Further, with the introduction of rolling settlement in the cash segment, the introduction of carry forward would require carrying forward of the positions everyday which may be cumbersome and may not be cost effective.